

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 EA-12 IO-14 ISO-00 L-03
FRB-01 OMB-01 ITC-01 SP-02 USIA-15 AGRE-00 AID-05
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02
SIL-01 STR-07 TRSE-00 CEA-01 SS-15 INT-05 GSA-02
DOE-11 SOE-02 AF-10 NEA-10 /169 W
-----052684 271829Z /47

R 271716Z FEB 78

FM USMISSION GENEVA

TO SECSTATE WASHDC 6507

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY CANBERRA

AMEMBASSY LA PAZ

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY ROME

AMEMBASSY SEOUL

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WARSAW

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PARIS ALSO FOR USOECD

E.O. 11652: N/A

TAGS: UNCTAD, ETRD

SUBJECT: UNCTAD TUNGSTEN MEETINGS

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REFERENCE: GENEVA 2924 (NOTAL)

1. SUMMARY: INTERGOVERNMENTAL GROUP OF EXPERTS ON TUNGS-
TEN (IGET) AND, IN TURN, COMMITTEE ON TUNGSTEN (COT) SENT
FORWARD SPLIT RECOMMENDATIONS FROM PRODUCERS AND CONSUMERS
TO TRADE AND DEVELOPMENT BOARD (TDB) FOR ITS DECISION ON

WHETHER TO CONVENE A NEGOTIATING CONFERENCE. AUSTRALIA, AUTHOR OF PRODUCER PROPOSAL FOR INTERNATIONAL COMMODITY AGREEMENT (ICA) WITH BUFFER STOCKS AND EXPORT CONTROLS, WAS INFLEXIBLE IN INSISTENCE ON RECOMMENDING CONVENING NEGOTIATING CONFERENCE FOR SUCH ICA. PRODUCER-CONSUMER FORUM (PCF) AS PROPOSED BY US, UK, FRG, JAPAN AND SWEDEN REMAINS ON TABLE AS ALTERNATIVE COURSE OF ACTION. CANADIANS STRADDLED FENCE AND OFFERED THIRD ALTERNATIVE WHICH AMOUNTED TO ICA WITHOUT SPECIFIC ECONOMIC PROVISIONS AT PRESENT. REPEATED PROBES DURING WEEK BY COUNTRIES NOT SUPPORTING ICA OR PCF PRODUCED NO MOVEMENT IN HARDLINE POSITION OF MOST PRODUCERS. TDB OF APRIL 4 WILL THUS PRESUMABLY BE FACED WITH SAME CONFLICTING VIEWPOINTS ON NEXT COURSE OF ACTION THAT PREVAILED IN COT IN NOVEMBER 1976. END SUMMARY.

2. THIRD SESSION OF IGET OPENED WITH REVIEW OF THIRTEEN STUDIES OF WORK PROGRAM OF SECOND IGET. USDEL MADE ONLY SUBSTANTIVE, DETAILED INTERVENTION, SETTING OUT OUR OBJECTIONS TO MARKET INTERVENTION MEASURES AND EXPLAINING THE NEED FOR A PCF TO IMPROVE MARKET TRANSPARENCY. APART FROM BRIEF, BUT ACrimonious INTERVENTION BY AUSTRALIA, MOST OTHER DELS NOT PREPARED FOR ANALYSIS OR EVEN DETAILED DISCUSSION OF MARKET PROBLEMS AND PROPOSALS BEFORE GROUP. MAJOR CONSUMERS SUCH AS JAPAN AND FRG WERE THUS IN NO POSITION TO CITE ANYTHING MORE SPECIFIC THAN TRADITIONAL OBJECTION TO ICA AND AS A CONSEQUENCE WERE OPEN TO ANY UNCLASSIFIED

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COMPROMISE WHICH CALLED FOR FURTHER STUDY OF AUSTRALIAN PROPOSAL.

3. FIVE CONSUMERS (US, UK, FRG, SWEDEN, JAPAN), WHICH HAD SPONSORED PCF PROPOSAL AT FIRST IGET PRESENTED MORE DETAILED OUTLINE OF PCF WITH A BROAD MANDATE TO DEFINE AND EXAMINE PROBLEMS OF TUNGSTEN MARKET AND TO PROPOSE APPROPRIATE SOLUTION TO GOVERNMENTS AND URGED RECOMMENDATION TO CONVENE GROUP FOR DRAFTING OF PCF CHARTER.

4. IN SETTING TONE FOR ENSUING DISCUSSIONS, AUSTRALIA STATED CATEGORICALLY THAT PCF PROPOSAL, WHICH AMDUNTED TO QUOTE ANOTHER TALK SHOP END UNQUOTE WAS UNACCEPTABLE TO IT. SEVERAL PRODUCERS REITERATED SUPPORT FOR NEGOTIATION OF AN ICA AND PORTRAYED PROPOSED PCF AS NOTHING MORE THAN A STATISTICAL BODY DUPLICATING THE WORK OF COT. CONSUMERS EMPHASIZED THAT RECOMMENDATORY POWERS OF A PCF WOULD DISTINGUISH IT FROM EXISTENT COT. TO PRODUCER QUERIES REGARDING WHAT PROPOSALS PCF COULD MAKE, USDEL RESPONDED THAT, AS A MATTER OF POLICY, MARKET INTERVENTIONIST MEASURES SUCH AS PROPOSED BY AUSTRALIA WERE NEITHER FEASIBLE NOR DESIRABLE AT THIS TIME. IF SUCH COMPREHENSIVE

MEASURES WERE EVER DEEMED NECESSARY, THEN A NEGOTIATING CONFERENCE COULD BE CONVENED. ANY LEGAL OBSTACLES ARISING FROM SCOPE OF PCF'S ACTIVITIES COULD BE OVERCOME BY CAREFULLY CONSTRUCTING LIMITATIONS AND CONSTRAINTS ON PCF SO AS TO BE CONSISTENT WITH US AND OTHER COUNTRIES' ANTI-TRUST LAWS. OTHER CONSUMERS THEN JOINED BATTLE BY EMPHASIZING THAT THEY WERE NOT PREPARED TO SUPPORT ANY RECOMMENDATION FOR NEGOTIATION OF ICA AT THIS TIME. THEY STRESSED SUCH CONCLUSION IS BASED ON THEIR FINDING THAT PRODUCER PROPOSALS ARE NEITHER FEASIBLE NOR DESIRABLE.

5. PRINCIPAL ISSUE DIVIDING TWO CAMPS WAS WHETHER A NEW

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TUNGSTEN ARRANGEMENT COULD TAKE BINDING DECISIONS ON MARKET INTERVENTION MEASURES. PRODUCERS INSISTED ON NEGOTIATION BASED ON THEIR PROPOSALS AND THAT DECISIONS OF AN ICA BE LEGALLY BINDING ON PARTICIPANTS. CONSUMERS WERE PREPARED ONLY TO ACCEPT RECOMMENDATORY POWERS WITH COMPLI-
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ANCE BEING VOLUNTARY. WE EMPHASIZED THAT THERE WAS NO POLICY JUSTIFICATION FOR SETTING UP AN ORGANIZATION WITH AUTHORITY TO IMPLEMENT EXPORT CONTROLS ON BUFFER STOCKS, SINCE WE DID NOT AGREE THAT THESE MEASURES WERE FEASIBLE. PRODUCERS ALSO ARGUED THAT ONLY A LEGALLY BINDING ICA ESTABLISHED BY A TREATY WOULD BE ABLE TO PROTECT CONFIDENTIALITY OF DATA OR OFFER SUFFICIENT INCENTIVE FOR PRODUCERS TO PROVIDE COMMERCIALY VALUABLE STATISTICS ON STOCKS, PRODUCTION, PRICES, ETC.--AN ARGUMENT WHICH CONSUMERS REBUTTED.

6. PRODUCERS WERE JOINED IN THEIR RECOMMENDATION FOR A NEGOTIATING CONFERENCE BY FRANCE AND THE SOVIETS--WHO ADDED THEIR CAVEAT THAT SOME ASPECTS OF THE AUSTRALIAN PROPOSAL MAY NOT BE DESIRABLE AND THAT THE COT SHOULD UNDERTAKE PREPARATORY WORK TO DEVELOP AN ACCEPTABLE PRICE INDEX BEFORE THE NEGOTIATIONS. BY PARLIAMENTARY MANEUVERING, BELGIUM, THE NETHERLANDS AND TURKEY FORMALLY JOINED THE EXPERTS GROUP AT THIS MEETING AND ALSO ASSOCIATED THEMSELVES WITH THE PRODUCER RECOMMENDATION. SOME PRODUCERS (THAILAND, CHINA, KOREA, BRAZIL, PORTUGAL) TRIED TO DISTANCE THEMSELVES FROM THE SPECIFIC PROVISIONS OF THE AUSTRALIAN PROPOSAL, PARTICULARLY IN PRIVATE DISCUSSIONS, BUT WERE NEVERTHELESS SOLIDLY BEHIND THE CALL FOR A NEGOTIATION ON THE BASIC ELEMENTS.

7. CANADIANS TOOK POSITION THAT WHILE AUSTRALIAN PROPOSAL WAS NEITHER FEASIBLE NOR NEGOTIABLE, NEITHER WAS A PCF ACCEPTABLE UNLESS BACKED BY FORCE OF TREATY. THEY RECOMMENDED NEGOTIATING A TREATY WITH THE SUBSTANTIVE FUNCTIONS OF CONSUMER PCF PROPOSAL, BUT PROVIDING THE LEGAL FRAMEWORK FOR IMPLEMENTING MARKET INTERVENTION MEASURES AT SOME FUTURE TIME. IN PRIVATE MEETINGS WITH USDEL, THEY SAID
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THAT TREATY OR SOME EQUIVALENT LEGAL BASIS WAS NEEDED IN ORDER TO PROVIDE PROTECTION AGAINST ANTI-TRUST PROSECUTION. THOUGH THEY LOBBIED HARD WITH OTHER DELS WHICH HAD CHOSEN

TO REMAIN SILENT (AUSTRIANS, KOREANS, BRAZILIANS) THEY WERE UNABLE TO GARNER SUPPORT. THE CANADIAN PROPOSAL ALSO SEEMED TO EVOKE INTEREST IN PRIVATE DISCUSSIONS FROM SOME CONSUMERS, PARTICULARLY SWEDEN, WHO WERE SEEKING TO AVOID CONFRONTATION IN TDB. APART FROM THIS LEGAL ISSUE, IT BECAME APPARENT THAT CONSUMERS, EXCEPT THE US, WOULD HAVE BEEN WILLING TO ACCEPT A COMPROMISE WHICH LINKED ACCEPTANCE OF THE PCF PROPOSAL WITH CONTINUED STUDY OF PRODUCER PROPOSALS BY A PCF. AGAIN THE INTRANSIGENCE OF PRODUCERS PREVENTED ANY POSSIBILITY OF CONCESSIONS BY THESE CONSUMERS.

8. THREE SEPARATE RECOMMENDATIONS NOW GO TO TDB FOR ITS DECISION ON WHETHER TO REQUEST THE SECRETARY-GENERAL OF UNCTAD TO CONVENE A NEGOTIATING CONFERENCE. CLEARLY, PRODUCERS EXPECT G-77 SUPPORT IN OBTAINING CALL FOR NEGOTIATING CONFERENCE WHICH ONLY REQUIRES MAJORITY VOTE IN TDB. HOWEVER, IF MAJOR CONSUMING COUNTRIES REFUSE TO PARTICIPATE IN NEGOTIATIONS (A MAJOR QUESTION MARK) THEN THE SECRETARY GENERAL WOULD HAVE DIFFICULTY JUSTIFYING SUCH ACTION. OUR DISCUSSIONS WITH OTHER CONSUMERS SUGGEST THAT A DECISION NOT TO PARTICIPATE IN A NEGOTIATION PRESENTS A POLITICAL ISSUE WHICH HAD NOT YET BEEN CONSIDERED IN CAPITALS AND THAT CONSULTATIONS PRIOR TO THE TDB WILL BE ESSENTIAL. DISCUSSIONS WITH PRODUCERS OFFERED LITTLE HOPE OF COMPROMISE; THEY SEEM WILLING, IF NOT ANXIOUS, TO FORCE A VOTE AT THE TDB. VANDEN HEUVEL

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Message Attributes

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